



**Testimony of
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on behalf of the
Department of Labor
Labor and Public Employees Committee
February 24, 2015**

Proposed Bills Concerning Unemployment Insurance Tax

Good Day Senator Winfield, Representative Tercyak, Senator Hwang and Representative Rutigliano and members of the Labor and Public Employees Committee. Thank you for the opportunity to provide you with testimony regarding the following proposed bills.

HB 5366 AAC Eligibility for Unemployment Compensation and For-profit Delivery Service Courier Companies. The Department opposes this bill. This bill would exempt operators of a motor vehicle with a gross weight of over 10,000 pounds and for-profit delivery service couriers from the Unemployment Compensation Act. Public Act 13-168 added a provision for operators of a vehicle with a gross weight of over 10,000 which still made them subject to the Unemployment Compensation Act. Further, the Unemployment Compensation Act is remedial legislation and, if this bill were to pass, couriers for delivery services would be unable to receive unemployment benefits and thus would be unemployed without the needed safety net.

HB 5610 AAC Labor Department Oversight. This bill suggests that the Department changes the unemployment tax rate for business, unilaterally. The Department is opposed to this bill, inasmuch as any action concerning the tax rates for businesses has never been done unilaterally. There are specific statutes that determine how to calculate the experience rating for employers and special assessment and what triggers the changes. The Department is administering the law as written and enacted by the General Assembly.

HB 5612 AA Eliminating Assessments Paid by Employers to Satisfy the Interest Due on Advances from the Federal Unemployment Account. The Department is opposed to the bill. This proposal would eliminate special assessments are they relate to interest due on advances from the federal unemployment account. Eliminating the special assessment does not eliminate the federal statutory requirement that the state must pay the interest yearly. Failure to pay the interest timely would result in a substantial increase in the Federal Unemployment Tax Act tax that an employer must pay under federal law. If the state were to miss a payment,

the result would be an additional amount payable to the federal government of \$5 million dollars.

HB 5857 AAC Interest Due on Advances from the Unemployment Compensation Advance Fund. This proposal would direct \$60 million from the general fund to pay interest due on advances from the Unemployment Compensation Advance Fund. Such payment would be a burden on the general fund. The Department does not take a position on this bill, so long as it is recognized that the federal payment of interest is still due to the federal government on September 30.

HB 5867 AAC Interest Due on Advances from the Unemployment Compensation Advance Fund. This proposal would eliminate the remaining \$60 million dollars of interest due on advances from the Unemployment Compensation Trust Fund. Such a payment would be a burden on the general fund. The state is unable to eliminate the interest payment due to the federal government. Federal law requires that the state must pay the interest yearly. Failure to pay the interest timely would result in a substantial increase in the Federal Unemployment Tax Act tax that an employer must pay under federal law. If the state were to miss a payment, the result would be an additional amount payable to the federal government of \$5 million dollars.

HB 5874 AA Preventing the Labor Department from Unilaterally Instituting Unemployment Tax Increases. This bill suggests that the Department changes the unemployment tax rate for business, unilaterally. The Department is opposed to this bill, inasmuch as any action concerning the tax rates for businesses has never been done unilaterally. There are specific statutes that determine how to calculate the experience rating for employers and special assessment and what triggers the changes. The Department is administering the law as written and enacted by the General Assembly.

HB 6565 AAC Employer Liability for Federal Unemployment Taxes. The bill proposes to establish a mechanism by which employers shall not be required to pay the Federal Unemployment Tax Act tax credit reduction that is currently assessed on employers. The FUTA tax credit is federal law and is administered by the federal government.